USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Required Report - public distribution

Date: 10/26/2009

GAIN Report Number: SY0909

Syria

GRAIN AND FEED ANNUAL

Production and Trade Update 2009

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Report Highlights:

The wheat and barley crops were affected by the drought of the spring in 2009. Large areas of rain fed wheat in North-East Syria have been used for fodder and grazing. However, increased irrigated area planted in wheat, due to favorable prices, helped boost production. Wheat production is forecasted to be close to 4.0 million tons, about double last year's crop. The barley crop is forecasted at about 500,000 tons. Syria will have to import large quantities of barley to make up for the feed shortage.

Executive Summary:

Wheat

Wheat production in 2009/10 is estimated at four million tons, about double the previous year's crop. Favorable prices encouraged farmers to switch irrigated land to wheat and also encouraged them to harvest their fields this year rather than sell them for grazing as they did last year. By July 13, 2009, the public sector General Establishment for Cereal Processing and Trade (HOBOOB) bought 2,732,000 tons from the local crop and the General Organization for Seed Multiplication bought 200,000 MT for seeding the next crop. Total wheat purchases by the public sector organizations may slightly exceed three million tons by the end of the local marketing season. The farmers keep about one million tons for their use. Procurement prices for wheat were significantly above international wheat prices to encourage the farmers to sell to HOBOOB. Imports by the private sector are expected to continue since international prices are cheaper.

Barley

Barley production was adversely affected by the drought in North-East Syria. However, this year's crop is much better than last year's because the farmers started to plant significant areas under irrigation due to the good barley prices. Imports are forecasted to continue on large scale to make up for the feed shortage. Most of the imported barley comes from Ukraine and Russia.

Commodities:

Wheat

Production:

Wheat (1000 HA)(1000 MT)(MT/HA)

	2007 Revised			2008 Estimate			2009 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		07/2007	07/2007		07/2008	07/2008		07/2009	07/2009
Area Harvested	1668	1700	1668	1486	800	1486	1650	1700	1500
Beginning Stocks	4033	4033	4033	3574	2933	2574	2511	1461	1961
Production	4041	4000	4041	2087	2000	2087	3200	4000	4000
MY Imports	200	200	200	1500	1000	2000	1500	1500	1700
TY Imports	200	200	200	1500	1000	2000	1500	1500	1700
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	8274	8233	8274	7161	5933	6661	7211	6961	7661
MY Exports	200	800	800	0	0	0	0	0	0
TY Exports	200	800	800	0	0	0	0	0	0
Feed Consumption	400	400	800	400	500	400	400	400	300
FSI Consumption	4100	4100	4100	4250	4300	4300	4350	4400	4400
Total Consumption	4500	4500	4900	4650	4800	4700	4750	4800	4700
Ending Stocks	3574	2933	2574	2511	1133	1961	2461	2161	2961
Total Distribution	8274	8233	8274	7161	5933	6661	7211	6961	7661
Yield	2.35	2.35	2.42	1.56	2.5	1.40	1.94	2.35	2.67

Wheat production in 2009/10 is estimated at 4.0 million tons, about double last season's crop in spite of the drought that hit the rain fed areas in North-East Syria in the spring of 2009. Planted area was about 1.7 million hectares. However, large rain fed areas of North-East Syria cannot be harvested due to poor crop development and grazing. The crop was not as bad as expected due to the planting of larger areas under irrigation. That was the response of the farmers to the very high prices last year. These irrigated areas were not affected by the drought.

Syria had a record cotton production in 2000 with 1,081,888 MT of seed cotton produced from 270,290 hectares. The cotton production plan for the 2009/2010 season calls for planting 157,300 hectares only. This is a 113,000 hectare differential. Cotton and wheat compete for the same land and water resources. However cotton is totally grown under irrigation. Most of this available land is believed to be shifted to wheat production due to the high prices offered for wheat in 2009.

The yield of wheat was 4,404 KG/ hectare on irrigated land while that for rain fed land was only 1,397 KG/HA, over three fold differential. This figure was obtained from the 2006 Agricultural Statistical Abstract. (Please note that rainfall in 2006 was much better than that of 2009 in most of the grain production areas in North-East Syria). If we calculate the productivity of the 113,000 HA of irrigated land it will produce about 500,000 MT of additional wheat under irrigation. This explains the increase in wheat production over the former estimates. In 2010, some of the land devoted to sugar beet production (32,000 – 35,000 HA of irrigated land) will be shifted to wheat production due to the price factor as well.

There is a very important phenomenon that was evident in 2008, but not in 2009 - due to 1) the low prices set for local grain procurement from the farmers as compared to international market prices, 2) the heavy restrictions on movement of grain from production areas to consumption areas around major cities, and 3) the fact that feed was very expensive and scarce, farmers in the spring of 2008 contracted to sell their grain fields (wheat and barley, even the ones growing well under irrigation) to sheep herd owners to feed their sheep when the fields were still green. This is the main reason for the low 2.2 million ton wheat crop in 2008. This was unprecedented and was reported in our Post report last year. This was the main reason why the crop was so low; large areas were not harvested but were instead grazed by sheep when they were still green. Irrigated wheat fields should produce at least 3.5 million tons per year, and they are not usually affected by drought.

The General Establishment for Cereal Processing and Trade (HOBOOB) purchased about 2.7 million tons from the 2009/10 crop by the middle of July. HOBOOB purchases from the local crop may exceed 2.8 million tons by the end of the procurement season in late July. The General Organization for Seed Multiplication, of the Ministry of Agriculture and Agrarian Reform, bought 200,000 MT of wheat that will be used for distribution to the farmers after treatment for planting the next crop. Farmers usually keep about one million tons for their use in rural areas. This brings the crop to about 4.0 million tons. HOBOOB was able to buy all this quantity due to the very good prices that they are buying at: $425 MT of Durum wheat and $415 MT of milling wheat.

Trade:

Import Trade Matrix Syria Wheat			
Time Period	CY	Units	1000 MT
Imports for:	2008		2009
U.S.	0	U.S.	0
Others		Others	
Ukraine	500	Ukraine	700
Russia	700	Russia	700
France	50	France	200
Total for Others	1250		1600
Others not Listed	50		100
Grand Total	1300		1700

Exports have ceased due to the very small crop of 2008. The United Arab Emirates have promised to give 500,000 MT of wheat to Syria. According to the best available information, about one fourth this amount has been delivered. HOBOOB is importing a significant quantity of wheat and so is the private sector. Private Syrian millers and pasta producers are permitted to import wheat and are importing significant quantities because international wheat prices are cheaper than local wheat prices. According to trade sources, most of the milling wheat is coming from the Black Sea area and France and the Durum wheat is coming from France.

Imports are expected to increase well above the traditional level in order to re-stock the wheat reserves. Most imports are expected to come from Eastern Europe due to the relatively cheaper wheat prices and lower freight cost from the Black Sea area as compared to other origins. France is selling milling wheat to HOBOOB and hard wheat to pasta factories. No U.S. wheat is expected to be imported, as landed prices tend to favor sourcing from Eastern Europe and the Black Sea Region. Detailed trade data for 2008 and 2009 is not yet available.

Consumption is growing, especially since the population has grown by 2.45 per cent. A significant number of the 1.5 million Iraqi refugees in the country have returned to Iraq, exact numbers are not available. Barley and other feed ingredients are available and priced well below the price of wheat. This will discourage farmers from using wheat for feed, except for product that is of low quality. Available milling capacity greatly exceeds the milling requirements of the country.

Stocks:

Most wheat stocks are held by HOBOOB, which once maintained stocks (as a national reserve) at levels close to 4 million metric tons, more than Syria's annual milling requirement. The private sector maintains some stocks for its use and for seeding the next crop. These stocks were maintained to eliminate the need for imports in case of a bad crop year. Stocks are estimated to have significantly dropped last year. Stocks kept by HOBOOB are increasing and will increase further with the delivery of the balance of the UAE gift. HOBOOB keeps most of its stocks in concrete or metal silos, as well as in open storage facilities. Silo storage capacity is increasing in the country and is mainly used for storing wheat.
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Policy:

With the very high prices set for the wheat crop of 2009, HOBOOB was able to retain its position as a major player in the wheat trade business in Syria.

Customs duties on wheat imports are one percent. Permitting imports of wheat and flour for further processing is expected to continue in the future. Syria plans to expand its concrete silo storage capacity by about 1.3 million metric tons during the coming five years. These silos will be utilized to replace storage of wheat in jute bags in open storage facilities and will reduce grain storage losses. Concrete silos are owned and managed by the General Company for Silos, under the Ministry of Economy and Trade, and are mainly used for storing wheat. The private sector has been permitted to establish metal silos. These silos are used for storing imported grains, mainly corn, barley, and soybeans.

Marketing:

Most of the wheat imports come from nearby sources as well as from France due to relatively low prices and even lower freight costs. The United States could become a source of wheat if American wheat prices become competitive with prices from neighboring markets on a landed basis.

Commodities:

Barley

Production:

Barley (1000 HA)(1000 MT)(MT/HA)

	2007 Revised			2008 Estimate			2009 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		07/2007	07/2007		07/2008	07/2008		07/2009	07/2009
Area Harvested	1000	1000	1000	350	350	350	900	500	500
Beginning Stocks	323	268	323	258	168	358	308	118	758
Production	785	700	785	200	200	200	650	400	500
MY Imports	150	900	900	1700	1500	2000	1000	1500	1200
TY Imports	150	900	900	1200	1500	2000	1000	1500	1200
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	1258	1868	2008	2158	1868	2558	1958	2018	2458
MY Exports	0	50	0	0	0	0	0	0	0
TY Exports	0	50	0	0	0	0	0	0	0
Feed Consumption	750	1400	1400	1600	1500	1500	1300	1500	1500
FSI Consumption	250	250	250	250	250	300	300	300	300
Total Consumption	1000	1650	1650	1850	1750	1800	1600	1800	1800
Ending Stocks	258	168	358	308	118	758	358	218	658
Total Distribution	1258	1868	2008	2158	1868	2558	1958	2018	2458
Yield	0.7	0.7	0.8	0.57	0.57	0.57	0.72	0.8	1.0

The 2009/10 barley crop is estimated at about 500,000 MT, over double the last season's crop size. This is due to planting more barley under irrigation due to the very high prices for barley last year. Planted area was estimated at 1.3 million hectares. However, the drought that hit the crop in spring of 2009 in North-East Syria sharply reduced the crop harvested area. Some areas were not harvested but were used for grazing. Barley production area used to be almost exclusively rain fed. The government set very high price for the 2009 crop and put it at $340 dollar MT but the General Organization for Fodder (GOF) of the Ministry of Agriculture and Agrarian Reform refrained from buying locally produced barley because its warehouses were full of imported barley. GOF imported one million tons of barley when the international prices were very high in late 2008. GOF purchases from the 2009/10 barley crop will be limited to very small quantities due to the presence of about 700,000 MT of imported barley at GOF warehouses.

Consumption:

In Syria, most barley is used for feeding sheep. The demand fluctuates from year to year depending on the availability of grass for sheep grazing. Demand increases during drought periods and during the winter months due to the lack of grass at that time. Syria normally requires about 1.5 – 1.8 million tons of barley per year for feed use and for planting next year's crop.

Trade:

Import Trade Matrix Syria Barley			
Time Period	CY	Units	1000 MT
Imports for	2008		2009
U.S.	0	U.S.	0
Others		Others	
Ukraine	700	Ukraine	600
Russia	700	Russia	600
Bulgaria	50	Bulgaria	50
Total for Others	1450		1250
Others not Listed	50		50
Grand Total	1500		1300

Imports in 2008/09 were a record due to the importation of one million tons by GOF. The private sector is also importing significant quantities, at least 500,000 MT. Imports by GOF in 2009/2010 will decrease but will continue at higher levels by the private trade. GOF will try to reduce its ending stocks to about 300,000 MT and is trying to force the sheep owners to buy the high priced imported barley if they would like to buy wheat bran. Most imports are expected to continue to be sourced mainly from Eastern Europe due to lower prices in these countries and relatively low freight cost. Importers from such origins are suffering from quality problems of the imported barley. No barley exports are expected.

Stocks:

The GOF will continue to keep about 300,000 MT as stocks and the private sector will continue to import but will not keep a large stock.

Marketing:

Syrian importers rely on Eastern European sources for barley, mainly Ukraine, Russia, and Turkey. This is mainly due to the competitive landed prices as well as their ability to ship small quantities (about 5,000 MT per shipment). Price considerations and freight cost have prevented Syrian importers from importing barley from the United States. The situation may change if these sources suffer from quality problems in the future.